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ABSTRACT

Researchers are finding that older entrepreneurs are an increasing population in many Western countries. It is important to distinguish between entrepreneurs who have simply reached the age of 50 versus those who start up businesses after this age. The latter group is of particular interest because these people have presumably never faced the trials of entrepreneurship before and are. therefore, in a more challenging and unique position. This digest discusses the characteristics of older entrepreneurs and considers the benefits and challenges for older entrepreneurs. (BT)

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Starting Up After 50

By Nicole Seymour

According to a researcher at Vanderbilt University, "the ranks of those between 45 and 64 are expected to swell by more than 15 million people" by 2006 (Quittner, 2000, ¶2). Many of these people are likely to start up enterprises in this life stage -- a survey of baby boomers conducted by the American Association of Retired Persons (AARP) in 1998 found that 80 percent planned to work beyond retirement age, and 17 percent of these planned to start a business (Quittner, 2000). As Bruce, Holtz-Eakin and Quinn (2000, p. 4) note, "self-employment among American workers increases with age, with the most dramatic jump occurring at age 65." Researchers from the United Kingdom and New Zealand have found similar patterns in their countries. It is clear that older entrepreneurs are an increasing population in many Western countries, one that deserves a closer look.

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Defining the Older Entrepreneur

This population has been variously referred to as "senior entrepreneurs," "third age entrepreneurs," "elder entrepreneurs" and "second-career entrepreneurs." This digest uses "older entrepreneurs," a common term. Though there is no standard as to what age constitutes an older entrepreneur, using fifty or older to define this group is a plausible approach. According to de Bruin and Firkin (2001), "many of the issues that confront the older worker ... apply to people in their fifties" (p. 6), and, "increasingly the age of fifty is being used [by] ... insurance and retirement service providers as a benchmark age for categorising those in the older group" (p. 7). One such example is the AARP, which limits membership to those aged 50 and older.

It is important to distinguish between entrepreneurs who have simply reached the age of 50 versus those who start up businesses after this age. The latter group is of particular interest, because these people have presumably never faced the trials of entrepreneurship before and are therefore in a more challenging and unique position. As de Bruin and Firkin (2001) note, there is a greater need "for more attention to be paid to those businesses that are begun when the entrepreneur is older" (p. 6), as the literature on this phenomenon is "notably sparse" (p. 7). Accordingly, this digest specifically looks at starting up at any point after age 50.

Characteristics of Older Entrepreneurs

Older entrepreneurs' reasons for starting businesses are often unique. Some say they were restless in retirement, others have the desire to pass something on to their descendants, and still others want to pursue their dreams or ideas after long careers as employees. Compared to entrepreneurs under 50, older entrepreneurs are less likely to cite increased freedom as a reason for starting up (Third Age Entrepreneurs – Profiting from Experience, 2001) – which may reflect the fact that many of these older people have already experienced the freedom that comes with

retirement. Others may want to supplement Social Security or retirement benefits. Bruce, Holtz–Eakin, and Quinn (2000, p. 1) state that, in response to the possibility of "reduction or delay in future Social Security benefits … and … the increasing health and longevity of older Americans," people in this group may stay employed longer, possibly seeking out self-employment at a higher rate.

The average older entrepreneur is more likely to be male, just as with younger entrepreneurs, but the margins of difference between men and women are very complex and interesting. Women experience a fairly high rate of entrepreneurship around age 50, compared to their younger counterparts. Zacharakis et al. (2001, p. 8) explain, "it appears that women, who are often the primary caretakers of children, may be somewhat delayed in pursuing entrepreneurship" until after middle age. In fact, Bruce, Holtz–Eakin, and Quinn (2000, p. 2) found that the proportion of self-employed women jumps from "6 percent among those aged 25 to 54 to 9 percent at ages 55 to 64 and then to 14 percent for employed women aged 65 or older." While former homemakers may face more challenges in starting up than their male counterparts (who have experienced the business world from the employee side), they may also find that working for themselves suits them better than conventional employment, and offers them the benefits of independence and greater social interaction.

Older entrepreneurs are set apart by many other unique characteristics – they tend to work fewer hours, tend to take more vacations and tend not to have any employees (Third Age Entrepreneurs, 2001) – all of which indicate that self-employment can offer older people a great deal of flexibility and freedom (all the while supplementing savings or other income, of course) that may help enhance their later years.

Benefits and Challenges for Older Entrepreneurs

Raising money is often identified as the number one problem for those starting up in business, and some suggest that this problem might be exacerbated for older entrepreneurs. One Riverside, California senior, a woman who now runs her own cheesecake shop, was initially rejected by three local banks when she sought a loan. She told reporter Jared O. Wadley (2001) that she believes her age was a factor in being turned down. Likewise, Greg Wilhelm, senior vice president/director of government relations for the California Bankers Association, told Wadley that health of the borrower is one of the factors banks consider, and that a bank "might not make a large loan to a senior if it had a repayment term of 10 years or more" (Wadley, 2001, ¶19).

However, others counter that seniors are in a better financial position than younger entrepreneurs to start up, and that their greater financial cushion – often due to retirement packages, nest eggs or owning their own home – may actually encourage them to try working for themselves. The Business Banking division of the UK firm Barclays found that older entrepreneurs "use more of their own resources to fund their start up[s]" (Third Age Entrepreneurs, 2001, p. 6) – and, conversely, have more savings to fall back on, should their ventures not take off. And while older entrepreneurs may not need their services, many financial lenders are aware of these facts. Stephen Pegge, head of external affairs at Lloyds TSB business banking in the United Kingdom, explains that his firm assesses people on a scale of A to J in terms of risk and often puts older entrepreneurs in the A, B or C categories, the ones skewed towards the least risk. As he states, "older entrepreneurs actually run their financial affairs in a way associated with lower risk of future default" (Stephen Pegge, e-mail interview, November, 2002).

One's age may also have an impact on treatment from co-workers and clients, not just

lenders. A 71-year-old entrepreneur interviewed by BusinessWeek complained that "'no one has actually said, "Hey, grandma," but it's always in the air,'" (Goldberg, 2000, ¶12). But despite such cases of indirect or even direct bias against older entrepreneurs, research indicates that this group is widely respected – Barclays found that both 50+ individuals and those under age 50 consider older entrepreneurs to be "wiser and more practical" (Third Age Entrepreneurs, 2001, p.9). This view bodes well for success as a older entrepreneur, as experience and wisdom are highly valued assets in the business world. As one business professor stated, older entrepreneurs are able to call upon "an invaluable network of contacts, credibility, and investment acumen" (Goldberg, 2000, ¶16) in dealings with clients and partners, as well as in the early start–up stages.

The trend toward rising numbers of older entrepreneurs is unlikely to reverse, as people are increasingly living longer and needing to support themselves. The research on 50+ entrepreneurs indicates that entrepreneurship has many innate factors that make it more attractive, more beneficial and more suited to older people than conventional employment or complete retirement might be. For these reasons, further research on older entrepreneurs, and increased attention to this research, will greatly benefit the people who are part of, or involved with, the over-fifty population.

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